

**No. 15,638**

In the

**United States Court of Appeals**

*For the Ninth Circuit*

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KEMART CORPORATION,

*Plaintiff-Appellant,*

vs.

PRINTING ARTS RESEARCH LABORATORIES,  
INC.,

*Defendant-Appellee.*

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**Appellant's Reply Brief**

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**Appellant's Reply Brief**

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Appellant files this brief in reply to the Brief for Appellee. The argument in the Brief for Appellee does not respond to the issues entirely in the order of Appellant's Opening Brief, thereby making exact correlation of the argument difficult. In this brief, therefore, appellant, in an effort to reorganize the issues in an orderly fashion, adopts the order of Appellant's Opening Brief. The chapter headings in this brief follow the order of the chapter headings in Appellant's Opening Brief and the page references below the chapter headings indicate where, in each of the briefs, the corresponding subject matter is discussed.

The abbreviation (AOB. p. ....) indicates page reference to Appellant's Opening Brief and the abbreviation (BFA. p. ....) refers to the Brief for Appellee.

**Jurisdiction**

(AOB. pp. 2-3)

(BFA. p. 2)

Appellee correctly points out that the record before this Court does not show that the motion to amend was served timely (BFA. p. 2). Appellant is concurrently filing a motion with the Court asking this Court to permit the District Court to supplement the record by including the proof of service showing that the Motion to Amend was served timely within ten days after entry of the final decision of the District Court on December 19, 1956 (AOB. p. 3, BFA. p. 2).

**Questions Presented**

(AOB. pp. 3-4)

(BFA. pp. 2-3)

There is a dissonance between the parties as to the questions presented on this appeal.

Appellant submits that its question No. 1 properly raises the main question before the Court but accedes to appellee's restatement with the *proviso* that appellant urges the record does not disclose that the persons to whom Mr. Marx published the letter in Ohio were "interested" as that term is used in libel and slander cases, nor does it disclose that the verb "responded" is applicable to appellee's publications of May 1949, (Plaintiff's Exhibit 34, R. 263-265) and June 1950 (Plaintiff's Exhibit 74, R. 282). Appellant's publications occurred in November of 1948 (Plaintiff's Exhibit 60, R. 265-267) and in December of 1948 (Defendant's Exhibit NN, R. 284-286), five months prior to the May 1949 publication and eighteen months prior to the June 1950 publication.

Appellant accepts appellee's statement of questions 2 and 3 if they be taken in conjunction with appellant's questions 2 and 3.

**The Proceedings Below**

(AOB. pp. 4-6)

(BFA. p. 2)

Appellee being satisfied with the review of proceeding below set forth in Kemart's brief (BFA. p. 2), no reply is appropriate or necessary.

**The Evidence**

(AOB. pp. 7-21)

(BFA. pp. 3-14)

Appellee has restated the evidence because it is "not satisfied with Kemart's recitation of the evidence before this Court." (BFA. p. 2). Appellant submits that its original statement of the evidence is adequate and that it objectively presents the record before this Court on appeal. Further, appellant submits that appellee's restatement creates a seeming of substance not borne out by the present record.

One point of diversion between the parties pertains to the infringement opinions of Mr. McCaleb. Appellant, without argument, showed that Mr. McCaleb was the president and one of the directors of appellee and was in charge of the corporate records, formal papers, legal correspondence and patent papers (AOB. p. 8). Appellant later argued that this opinion of interested counsel was not available as a defense (AOB. pp. 62-65). With regard to this opinion, although the evidence does not appear in the record, appellant agrees that Mr. McCaleb was a widely respected and experienced trial lawyer specializing in patent causes (BFA. p. 3).

This contention does not disprove the conceded interest of Mr. McCaleb, nor does it undermine the legal argument that one cannot rely upon his own legal opinion as a defense for otherwise tortious conduct. Appellee also urges that Mr. McCaleb is now deceased (BFA. p. 4). But Mr. McCaleb was still alive at the first

trial, for he conducted it (RA. 79-628). And at the first trial, appellee made no effort to prove the present defense of good faith belief and advice of counsel.

In connection with Mr. McCaleb's opinions, appellee refers several times to Mr. McCaleb's technical ability (R. 192, BFA. pp. 4, 48, 50). Mr. McCaleb's technical ability is not an issue on review before this Court, and indeed appellant concedes that Mr. McCaleb was highly capable. The point is, regardless of how technically able an attorney is, the strength of his opinions must depend upon the facts upon which they are based. The record is barren of any evidence tending to prove what facts were disclosed to Mr. McCaleb at the time he rendered his opinions. Mr. Marx did not recall what he told Mr. McCaleb about the Kemart Process (R. 192). Mr. Goux conceded that he didn't know whether Mr. McCaleb had ever seen Kemart copy (RA. 499) and that Mr. McCaleb would have to "answer for himself" (RA. 499) the question as to when he had first seen Kemart copy. That Mr. McCaleb never did so is no fault of the appellant. The opinion under review supplies its own internal evidence that he had not seen Kemart copy at the time he wrote his opinion. In his opinion, he expressed the view that the Kemart Process would "particularly" infringe Claim 12 of the Marx patent (R. 288). Claim 12 recites:

"A method of making a half tone negative of a subject having sections absorptive and reflective respectively of ultra-violet light comprising, imaging on the negative the usual half-tone record of the subject and superposing on said record a second image by ultra-violet light only." (RA. 673)

If Mr. McCaleb had had Kemart copy before him, he certainly would have known the fact to be that there were no sections of the Kemart copy that were "reflective" of ultra-violet light as recited in Claim 12. Undoubtedly, Mr. McCaleb's opinion was based in part upon Mr. Marx's early view that "the drawing is prepared so as to absorb ultra-violet light in its tone areas while reflecting

ultra-violet light from its highlight areas" (RA. 529): a view to which Mr. Marx adhered until the trial of the case on October 25, 1950 when he admitted that "ultra-violet light is absorbed in the highlight areas of the Kemart copy" and is "absorbed in the tone areas" also (RA. 273). Thus, the ability of Mr. McCaleb is not in issue here.

Indeed, this very uncertainty as to the facts may have been the consideration which led Mr. McCaleb to warn Mr. Marx and Mr. Pensinger against discussing the controversy with any potential customers of appellee (R. 179, 180, BFA. p. 4); a warning which Mr. Marx promptly ignored when he discussed the controversy with Mr. Paul Schmidt, head of the Pitman Company, one of the largest graphic art supply firms in the country and a firm which handled the products of Kemart as well as the products of appellee (RA. 321, R. 147, BFA. p. 5).

Appellee next contends that Mr. Adams published the charges of infringement when he discussed the infringement letter with Mr. Mertle at lunch (BFA. pp. 5, 6, 7, 52). Appellant submits that when one discusses the problems of a technical subject such as a charge of patent infringement with its "technical adviser" (R. 147) or "technical director" (RA. 786) that there is no publication. So far as the issue of publication is concerned, it is apparent that there is no more significance in the fact that the technical director also worked for other people than there is in the attorney and client relationships, in the fact that an attorney represents other clients.

With respect to the admitted publications by Mr. Marx to Messrs. Flader, Schmidt and Latimer (R. 147), appellee, without directly so stating, infers that Mr. Adams may have initiated the inquiry by its observation that Mr. Adams had "a hazy memory." (BFA. p. 5). To the contrary, the record discloses with reference to Mr. Schmidt that "I know I didn't do him" (R. 138) and that "I am sure I didn't do Mr. Flader" (R. 140). There is no contrary evidence whatsoever. In view of the fact that the letter

specifically stated that "I recommend that all users of the Kemart process, in so far as you are able to identify them, be notified" (Exhibit RR, R. 288), there is a strong inference that the alleged inquiries were initiated by appellee. Otherwise there would have been no point in having the letter at the convention. It will be recollected that Messrs. Marx, Pensinger and Frye were all at the convention and that all three knew of the letter (R. 177, 181, 199). Messrs. Pensinger and Frye did not testify at the trial and Mr. Frye's stipulated testimony does not touch on this letter (R. 171-172).

Appellee urges that the record is "absolutely barren of any activity" by it "which could be considered an attack on the business of Kemart Corporation." (BFA. p. 6). Appellant in reply points to the letter of October 6, 1948, which was published at least four times at the convention (Defendants' Exhibit R.R., R. 287, R. 147); the May 1949 trade publication (Plaintiff's Exhibit 34, R. 263-265); and the June 1950 trade publications (Plaintiff's Exhibit 74, R. 282, R. 122). All three publications attack the plaintiff's business of licensing the Kemart Process (RA. 26, Finding 1-D., R. 27).

Appellee then complains that Kemart published the charge and imputes impropriety to Kemart in its trade publication (BFA. pp. 6-8). We have shown that there is not a word of untruth in the publication (AOB. 11-12) and that the publication is legally of no defensive value (AOB. pp. 65-70). Appellee argues that the letter was false because "even today not one iota of evidence exists establishing that appellee or its people had even discussed the matter with users of the process or customers" (BFA. p. 8). On the contrary, the record does show affirmatively that the matter was discussed directly with persons having direct contact with customers and prospective customers, e.g., Messrs. Flader, Schmidt and Latimer; it does disclose that litigation was threatened implicitly in the October 7, 1946 public letter (Defendant's Exhibit RR., R.

287), and it does disclose that litigation was threatened directly in the November 10, 1948 private letter (Plaintiff's Exhibit 29, RA. 745-747).

At page 8, appellee urges that its May, 1949 publication "truthfully and factually reports the status of the suit." Appellant does not so read the publication. With respect to the status of the suit, the headline for the advertisement states "Kemart Licensees Liable to Lawsuit" (R. 263). The language "liable to suit for direct infringement" is repeated in the publicity news release (R. 264). The fact is that the trial court merely denied a temporary injunction (R. 263). It did not adjudicate liability until January 31, 1951 (RA. 53-56). Appellee further states that the publication "advised the intention of appellee of protecting its interests" (BFA. p. 8). The publication actually advised that the intention of appellee was "for the protection \* \* \* of licensees of the Fluorographic Process, and in its own interests." (R. 263). It also admittedly appears that an added intention of the publication was to justify an award for treble damages (BFA. p. 63). In fact, at the end of the first trial the decision on any prayer for increased damages was specially reserved until after the determination of the amount of damages (RA. 56).

Appellee states that the May, 1949 publication "added nothing" to the November, 1948 publication of appellant (BFA. p. 8). On the contrary, it added the personal imputation directed to Kemart Corporation that "our competitor \* \* \* has simulated our patented process" (R. 265); and it confirmed and emphasized its threat to institute a suit "against a Kemart licensee very promptly" (R. 265). In addition, it republished the false infringement charges which had lain dormant for so many months.

Also at page 8, appellee states that "Kemart had undertaken a campaign to appropriate appellee's licensees unto itself." This goes beyond the record. It actually discloses that Kemart sales efforts were directed to the entire photoengraving industry. Typical examples of Kemart advertising include Defendant's Exhibit LL

and MM (RA. 783-803). Neither makes any effort to appropriate appellee's business. As a matter of fact, appellee and its licensees are not even mentioned in the advertising. Even the November 1948 publications are not directed to appellee's business, but they are directed to "Kemart Licensees" and potential licensees (Plaintiff's Exhibit 60, R. 265-267, Defendant's Exhibit NN, R. 284).

Continuing at page 8, appellee argues that "it was incumbent upon appellee to protect its property." Appellant can not follow the thread of appellee's argument. Appellant never did attack the property of appellee, other than as a subordinate issue in the privacy of this case. Publicly appellant asserted merely that it did not infringe the patent and that appellee's threats were false in fact—two assertions with which there can be no genuine dispute. Neither claim was directed to appellee's title to its Marx patent or to its title to the Fluorographic process it was licensing to the trade. As a matter of record in this case, appellant never did seek to destroy the patent of appellee, except as an incident to a determination of non-infringement, nor did it seek to destroy appellee's licensing system. Appellant has consistently adhered to the claim that it did not infringe the patent. And this Court commented that "in oral argument counsel for appellant stated that appellant had no interest in the question of validity of the patent if it should be held uninfringed." (201 F.2d 624 at 634). Hence, there was no genuine need for appellee to protect its property. And even if there were, appellee could have truthfully published that it was the owner of the Marx patent and that the Marx patent covered its Fluorographic Process. It did not have to go further and state falsely that appellant and the Kemart Process infringed its patent in order to protect its property interests in the Marx patent (see AOB. p. 62).

At page 9, appellee contends that it did not approach customers "either orally or by letter." Appellant has shown that appellee published the charges at the Cleveland convention and in the trade papers. Further approaches orally or by letter are not necessary to

complete the tort. Appellee attempts to brush Plaintiff's Exhibits 62, 65-70, 72 and 73 aside implying that they relate to appellant's publications of November 1948 (BFA. p. 9). The record does not bear out the contention. The responses start on May 18, 1949 (Plaintiff's Exhibit 62, R. 269), long after November 1948 but immediately after the May 1949 publication of appellee. Many of them make express reference to appellee's threats (Plaintiff's Exhibit 62, 64, 65, 66, 67, 69; R. 269, 271, 272, 273, 275, 277; see also R. 135). None of them expresses the slightest concern over appellant's November 1948 publication.

At page 9, appellee urges that the response to Kemart's inquiry for "communications or notices you may receive" from appellee "was nil." (Plaintiff's Exhibit 60, R. 146). A sound reason for this is apparent. Appellee, instead, published threats in trade papers in May 1949 and again in June 1950 (Plaintiff's Exhibit 34 and 74, R. 263-265, R. 282). And Kemart did bring forth the responses to these publications (Plaintiff's Exhibits 62, 65-70, 72 and 75). Moreover, following the June 1950 publication (Plaintiff's Exhibit 74), there was an actual reversal and downward turn in the sales curve of Kemart (R. 133).

Appellant takes umbrage to appellee's taunt that "even if Mr. Adams testimony may be believed" (p. 10). Such a remark seems to be out of place for one whose only witness testified under oath that the Kemart drawing "is prepared so as to absorb ultra-violet light in its tone areas while reflecting ultra-violet light from its highlight areas" (RA. 529), whereas he later admitted that "ultra-violet light is absorbed in the highlight areas of Kemart copy" and is "also absorbed in the tone areas" (RA. 273); that he "attended Dartmouth College" and was at "Dartmouth for only one year, or less than a year, and studied for a regular Bachelor of Arts Degree" (RA. 112, 235), whereas he later admitted that was "absolutely wrong" (R. 195); that his course of study at University of Pennsylvania was "toward a Bachelor of Arts Degree" and included the scientific subject "chemistry" (RA. 235), whereas

the University of Pennsylvania stated "he was never registered for any work in chemistry and physics" (RA. 765-766); that he "dug through files of the Santa Barbara papers and others to find these examples" on defendant's misleading Exhibit J (RA. 133), whereas he later admitted he was not the one who obtained the pictures on this exhibit (R. 193-194); that he received the letter of October 6, 1946 in the mail at Santa Barbara (R. 190-191), whereas this was impossible because the letter was displayed at Cleveland, Ohio on October 7, 1946 (R. 94); and that "Mr. McCaleb warned us very strongly that we were not to discuss the issues of the case with anyone who was a potential customer of ours" (R. 180), whereas the contemporaneous letter from Mr. McCaleb said "I recommend that all users of the Kemart Process [all potential customers of appellee], in so far as you are able to identify them, be notified of the existence of your aforesaid patent No. 2,191,939, its nature and coverage and their infringement thereof." (R. 204).

Mr. Adams, on the other hand, made only two misstatements, on both of which he volunteered corrections e.g. he corrected his earlier testimony as to the date when the reversal of sales curve took place pointing out that "the actual turn down in net results didn't occur until the middle of 1950" (R. 133), whereas he had earlier testified that Plaintiff's Exhibit 34 "certainly reversed that trend" (RA. 327). He also corrected the time of publication of the book, "Modern Photoengraving," which Mr. Mertle and Mr. Flader brought out prior to the 1946 convention (Compare R. 132 and R. 96). Appellant therefore urges that the imputations that Mr. Adams was not to be believed should be disregarded.

At page 10, appellee urges that "the attack by Kemart seems to be leveled largely at Mr. McCaleb." This is not so. Appellant has never urged that Mr. McCaleb imposed upon, deluded, misled or oversold the Court. Appellant has urged and the Court found that Mr. Marx was not 100% honest in his testimony under oath but

this is no imputation on counsel. It is impossible to assay what the result at the first trial would have been if Mr. Marx had testified entirely within the truth.

The main crux of appellee's argument that the misrepresentations were immaterial lies in the contention that the case on appeal turned entirely upon a matter of law (BFA. pp. 10-11). In a limited sense, this is true: for this Court relied upon the documentary evidence when it concluded as a matter of law that there was no infringement. But in the Court below, the question of infringement was treated as an issue of fact (see Findings of Fact X, XII and XIII, RA. 48-49). Obviously, since Mr. Marx was defendant's only witness and since the documentary evidence showed only non-infringement, the District Court of necessity must have relied upon his oral testimony. Otherwise there was no underlying evidence whatsoever to support the determination of infringement.

Finding X recites that "The aforesaid Kemart Process includes all of the steps of, and is described by, and embodies the invention of, each and every of claims 1, 2, 3, 4, 6, 8, 9, 10, 11 and 12 of the Marx Patent No. 2,191,939" (RA 48).

Finding XII recites that "The aforesaid Kemart process proceeds in substantially the same manner as does the method or process of the Marx Patent No. 2,191,939 to accomplish the same result" (RA. 48).

Finding XIII recites that "The dot eliminating light \* \* \* in the Kemart Process \* \* \* is the full equivalent of ultra-violet light reflected unmodified from the highlight areas of the drawing for the same purpose" (RA 48-49).

Appellee made no effort to support Finding X on Appeal No. 12,948, other than to cite it at page 4 of its brief on appeal. Finding X was set aside completely and with certainty in this Court's determination:

"\* \* \* we find that the Kemart Process involves use of a different kind of copy, a different kind of dot-eliminating

light, the wholly different phenomenon of fluorescence, and a different kind of photography. These differences go to every feature of the Marx Process alleged to be novel." (201 F.2d 630).

In support of Findings XII and XIII appellee contended "that the two methods were recognized photographic equivalents." (201 F.2d 624). This Court held that "Assuming that this would sustain a finding of equivalence of the two processes here in question, there is no evidence to support the contention" (201 F.2d 624).

Appellee sloughs off the balance of the dispute directed to malice by urging that Kemart's examples are "certain incidents common to hard fought litigation." (BFA. p. 11). Appellant does not believe that it is common for a party to refuse to answer questions concerning the merits of the case on pre-trial depositions (AOB. pp. 15-16, BFA. pp. 11-12); for a party to file a patent infringement counterclaim charging his opponent with patent infringement without prior factual investigation (AOB. pp. 15-16, not answered in BFA.); for a party to misrepresent its expert and the prior art, even immaterially (AOB. p. 19, BFA. pp. 12-14); for a party to press supersedeous to such an exorbitant extent that his opponent might be "forced into bankruptcy" (AOB. p. 20, BFA. p. 14), or be required to enter into burdensome extra judicial financial arrangements; or for a party to oppose a modification of the injunction to eliminate procedures, clearly non-infringing even on the then determined construction of the claims.

Appellant submits that appellee casts a most unfavorable and unjustifiable cloud over all litigation and the conduct thereof when it urges that such incidents are common to hard-fought litigation.

In summation as to the evidence, appellant submits therefore that there is no sound basis for appellee's expressed dissatisfaction with Kemart's recitation of the evidence before this Court (BFA. p. 2) and that appellant's statement (AOB. pp. 7-21) is

accurate and properly presents the evidence introductory to a consideration of the legal issues.

## Argument

(AOB. pp. 22-75)  
(BFA. pp. 15-62)

This case represents a conflict between two well recognized civil rights.

Appellant bases its claim upon its property rights in the Berry Patents and in its business of licensing others under its property rights and claims the right to be free from injury to its business and reputation.

Appellee bases its defense upon its property rights in the Marx Patent and upon its business of licensing others to use this property.

None could deny that both conflicting rights are entitled to the protection of the Courts.

The difficulty arises when both parties insist upon the protection of their own rights and in the course of the assertion of such rights one of the parties is injured. In the case at bar, appellee, in the assertion of its claimed rights, has injured appellant.

Appellant claims that it is entitled to a remedy for the injury done to its business and reputation arising by virtue of appellee's conduct in assertion of the claimed rights of appellee.

Appellee, in its effort to make justice run up stream has taken the position that its property rights are paramount to the rights of appellant in its reputation and in the reputation of its business. This is the view which Circuit Judge Clark in speaking for the Court in *Black & Yates v. Mahogany Ass'n* (3 Cir. 1941), 129 F.2d 227 at 229 referred to as "a Shakespearean view."

Appellee overlooks the principle that everyone shall so use his own property as not to injure another. This rule is of ancient origin and is of universal application, regardless of what conflict

of law rule applies or what property interests are involved. See *Hitchman Coal & Coke Co. v. Mitchell* (1917), 245 U.S. 229, 254; *Delaware Etc. Railroad v. Converse.* (1891), 139 U.S. 469, 473; *Fertilizing Co. v. Hyde Park* (1878), 97 U.S. 659; *Hay v. Norwalk Lodge B.P.O.E.* (1951), 92 O.A. 14, 23, 109 N.E. 2d 481; *Cincinnati and Suburban Telephone Co. v. Eadler* (1944), 75 O.A. 258, 260, 61 N.E. 2d 795, 797; *Philadelphia Fire & Marine Ins. Co. v. Hirschfield Printing Co.* (1943), 73 O.A. 27, 29, 53 N.E. 2d 827, 828; and *California Civil Code*, Sec. 3514.

In espousing its view, appellee seeks to pigeon-hole this case into one of two very limited legal formulae, i.e. straight non-defamatory unfair competition or in the alternative, a form of disparagement of property or trade libel akin to slander of title. In so doing, appellee criticizes appellant for urging at the same time that this case constitutes both libel under the Ohio Law and unfair competition under the Paris Convention (BFA. p. 15). Appellee urges that in so arguing "Kemart thus came about full circle" (BFA. p. 54). The difficulty with appellee's argument is that one cannot pigeon-hole this case. It does not involve a single tort, but it involves multiple torts all cooperating and contributing to make appellee's conduct wrongful. Appellant does not ask for damages accruing from any particular and single kind of tort but asks only for "damages resulting to plaintiff from defendant's wrongful acts and doings" (R. 9). As in *Northern Co. v. Grand View Ass'n.* (1906), 203 U.S. 106, 108, appellant's "\* \* \* choice of law was not an election but an hypothesis. It expressed the supposition that law was competent to give a remedy \* \* \*".

The difficulty in applying any particular label to the exclusion of others in the case at bar is demonstrated by the several different types of closely related torts encompassed in appellee's series of publications.

A first aspect of this case is that the defendant published false allegations that "the Kemart Process \* \* \* plainly falls within

nd is covered by a number of the patent claims" and that "even if the Kemart neutralizer were not absorptive of ultra-violet light, the Kemart Process would still infringe your herein discussed patent, and more particularly Claim 12, thereof," (Defendant's Exhibit RR., R. 287 at page 288); and that "the Kemart Process of making highlight halftone negatives is charged to infringe the fluorographic patent" (Plaintiff's Exhibit No. 74, R. 282). These charges admittedly are not directed to appellant. They are directed to its property, i.e. The Kemart Process. As such, these charges meet the traditional common law definitions of slander of title. This is the phase which appellee emphasizes. Under the common law, malice would be required as to this phase. Under the Treaty of Paris, the conduct is actionable, as between competitors, without regard to intent or scienter.

A second aspect of this case is that appellee published false allegations that "The Kemart Corporation, sponsor of the Kemart Process, is contributorily infringing such patent when it furnishes infringers thereof with supplies, equipment and instructions facilitating their practice of such Kemart Process." (Defendant's Exhibit RR., R. 287); and that "our competitor \* \* \* has simulated our patented process \* \* \*" (Plaintiff's Exhibit 34, R. 263 at R. 265). This is the phase appellant emphasizes. These charges are a personal libel directed to Kemart itself. As such they constitute libel *per se* under the rule of *Watson v. Trask* (1834), 6 Ohio 531. If the charges are false the law infers malice.

A third aspect of this case is that appellee published false allegations that anyone who practices the Kemart Process infringes several claims of the Marx patent; that it recommended that all users of the Kemart Process be notified of their infringement thereof; that it stated falsely that any maker of half-tone negatives from wash drawings by the Kemart Process is liable to suit for direct infringement; that it threatened suit for infringement against a Kemart licensee and that it reminded all licensees of such

litigation (Defendant's Exhibit RR., 287; Plaintiff's Exhibit 34, R. 264-265 and Plaintiff's Exhibit 74, R. 282). Of all three forms of conduct herein referred to, Mr. Justice Holmes thought this to be the most damaging in *American Well Works v. Layne* (1916), 241 U.S. 257, 259 (See AOB. pp. 23, 26 and 60).

A *fourth* aspect of the case is that the conduct of which complaint is made is between competitors and as such constitutes unfair competition in addition to the usual torts. If none of the elements *first*, *second* and *third* above is present, the authorities agree that malice is an essential element. If one or more of elements *first*, *second* and *third* is present, there is a conflict of authority as to whether actual malice is essential. If falsity is present, then the Law of Ohio as set forth in *Henry Gehring Co. v. McCue* (1926), 23 O.A. 281, 154 N.E., 171 and *McCue v. Wells* (1929), 121 O.S. 53, 166 N.E. 892; the general law as set forth in *American Well Works v. Layne* (1916), 241 U.S. 257, *E. Edelmann & Co. v. Triple-A Specialty Co.* (7 Cir. 1937), 88 F.2d 852, and *International Industries & Development v. Farbach Chemical Co., Inc.* (S.D. Ohio 1956), 145 F. Supp. 34, affirmed (6 Cir. 1957) 241 F.2d 246; and the treaty law as set forth in the Treaty of Paris, all agree that actual malice is not an essential element of a claim for damages.

In its effort to impress upon this case a rigid rule of law favorable to its position and adopted by the District Court below, appellee has made a hodgepodge of non-Ohio cases, text books, and dictum from Ohio cases and has thrown them all into one legal kettle from which all contrary authority has been omitted. From this "stew" appellee has drawn the simulated rule that the Courts of the United States are in accord that no tort is involved unless bad faith be shown (BFA. p. 20). Appellant submits that there is no such universally applied general rule.

Appellant unravels the authorities and discusses the argument in the order appearing in Appellant's Opening Brief. Appellant

emonstrates the divergence between the separate and distinct view points in order finally to dispose of the conflict and to arrive at the applicable rules of law. Even though such analysis might appear somewhat tedious, it seems to be the best way of reaching the issues.

**The District Court Erred as a Matter of Law on  
Issue of Malice and Good Faith**

AOB. pp. 25-36)

BFA. pp. 24-28)

Appellant's first point was that the cases which the District Court cited in support of its proposition as to qualified privilege under the Law of Ohio did not support the controlling conclusion of law (AOB. pp. 25-36). Appellee does not answer this point directly. Appellant, therefore, assumes that the proposition as stated is conceded and that one must go outside of the authorities upon which the District Court relied in order to justify the defense. This assumption is borne out by an analysis of the two briefs.

Appellant showed that *Henry Gebrig Co. v. McCue* (1926), 23 O.A. 281, 154 N.E. 171, did not support the conclusion of the District Court. The complaint there under review disclosed no malice, the only portion of the opinion bearing upon the instant issues recited that "allegations are made that the conduct of the defendant had no warrant or proof, but was based upon false statements respecting the patent" (AOB. pp. 27-28) and the Ohio Supreme Court later in *McCue v. Wells* (1929), 121 O.S. 53, 166 N.E. 892, refused to give any legal effect to the defense that the letters charging infringement "were written and sent in good faith and upon advice of competent counsel skilled in such matters." (AOB. p. 28).

Appellee's main point is that "it is idle to concern ourselves with the pleadings and briefs of the parties to that litigation" (BFA. p. 28). Substantially the same contention as that advanced here by appellee was overruled in *Bingham v. United States* (1935), 296

U.S. 211 (Cited in appellant's brief, page 30, and not distinguished by appellee). In that case, the Supreme Court looked to the prior briefs on one of its own decisions in order to interpret its own prior decision. The Court particularly pointed out, page 218:

"\* \* \* both in the appendix to the government's brief and in the main brief of the taxpayers, the attention of the court was distinctly called to all of the provisions which are now invoked. \* \* \* It fairly must be concluded that in reaching that result these provisions were considered, and that such of them as bore upon the problem, there as well as here presented, were found not to require a different determination. We think the points now urged by the government were decided in the Frick case, and find no reason to reconsider them."

By the same token, appellant submits that the defense that letters falsely charging infringement were written and sent in good faith and upon advice of competent counsel skilled in such matters was decided adversely in the *McCue* case and that there is no reason to reconsider this defense.

Appellee's argument that "the court merely ruled that bad faith had been sufficiently alleged" (BFA. p. 28) virtually concedes that appellant is entitled to recover, if *McCue* applies. The court in *McCue* determined that the allegations there made (which are substantially the same as the facts found by the District Court in the case at bar), warrant a recovery of damages. In particular, the court said, 23 O.A. 284:

"\* \* \* Allegations are made that the conduct of the defendant had no warrant or proof, but was based upon false statements respecting the patent. It is alleged that accusations resulting in damage are false, and it is further alleged that these actions and conduct resulted in depriving plaintiff of customers and otherwise injuring it. If these allegations are susceptible of sufficient proof, under the authorities a recovery may be had based upon the doctrine of 'unfair competition,' \* \* \*"

The fact that the Court gave the cause of action the label of "unfair competition" does not change the character of the operative facts. No matter what the label may be, the facts found actionable in *McCue* have been found present in the Findings of the District Court in this case. We note the substantial similarity between this 1926 determination of the Ohio Court of Appeals and the 1931 adoption of Article 10 Bis in the Treaty of Paris (AOB. p. 46). *McCue* thus demonstrates that Ohio is a progressive state on the instant legal issues.

It is most significant that the only actual allegation even touching upon the issue of good or bad faith is the allegation that defendant threatened customers of plaintiff "with litigation and falsely accusing the plaintiff of infringing the letters patent of defendant" (R. 297). If, as pointed out in appellee's brief, page 28, the Court merely ruled that bad faith had been sufficiently alleged, then the decision stands for the proposition as stated by appellant, i.e. that a false accusation of infringement of letters patent constitutes actionable tort under the Law of Ohio.

Appellant distinguished the next cited authority of *Oil Conservation Engineering Co. v. Brooks E. Co.* (6 Cir. 1931), 52 F.2d 783 (AOB. pp. 31-32) because that case did not involve the right of a plaintiff to damages and because the charges of infringement were not actually false in that case. Appellant also pointed out that in *Oil Conservation*, the Court recognized that where the slanders are not in bad faith—that is not malicious, and are not working destruction of property or property rights, then there is a remedy at law. Appellee's discussion of *Oil Conservation* at three places in its brief (BFA. pp. 24, 25, and 26) merely parrots dictum from *Oil Conservation* and does not respond to appellant's points of distinction. The Court refused to extend *Oil Conservation* to an action for damages, it having been cited without avail in the petition for rehearing (R. 64) filed in *International Indus. Develop. v. Farbach Chem.* (6 Cir. 1957) 241 F.2d 246. The

points of distinction, appellant submits, are substantial and they stand proved.

Appellant next showed that *Alliance Securities Co. v. De Vilbiss Mfg. Co.* (6 Cir. 1930), 41 F.2d 668, did not support the finding of the District Court in that in *Alliance Security* there were no false imputations of patent infringement (AOB. p. 32). Appellee's references to *Alliance Securities* (BFA. pp. 24, 25) do not respond to appellant's distinctions.

We further point out that *Alliance Securities Co. v. De Vilbiss Mfg. Co.* (6 Cir. 1930), 41 F.2d 668 is not a particularly strong decision. The majority of the Court refused to follow *Alliance Securities* in *International Indus. & Develop. v. Farbach Chem.* (6 Cir. 1957), 241 F.2d 246 where the case was cited both in support of the dissenting opinion of Circuit Judge Stewart (241 F.2d 248) and on petition for rehearing (R. 64). Moreover, in *Black & Yates v. Mahogany Ass'n* (3 Cir. 1941), 129 F.2d 227, the Court of Appeals, speaking through Circuit Judge Clark, expressed a preference for the lower court decision stating that it stood for the better reasoned rule (See 129 F.2d 231, footnote 23).

Appellant next cited *American Ball Co. v. Federal Cartridge Corporation* (8 Cir. 1934), 70 F.2d 579, which case was cited by approval by this Court in *Celite Corporation v. Dicalite Co.* (9 Cir. 1938), 96 F.2d 242, at page 250 and in *Metro-Goldwyn-Mayer Corporation v. Fear* (9 Cir. 1939), 104 F.2d 892. Appellant urged that *American Ball* showed that appellant's distinction of *Oil Conservation* and *Alliance Securities* had been afforded sound judicial recognition (AOB. pp. 32-33). Appellee makes no response to this argument being content with the didactic statement that the case in no way supports Kemart's argument (BFA. pp. 41-42). Appellant submits that the point stands confessed that *American Ball* supports the proposition that "if the patentee should fail to establish his rights as claimed by him \* \* \* he might be subject to an action for damages (because of such false, though honestly believed, statements) on the part of the one mistakenly prosecuted for infringement \* \* \*". (70 F.2d at 582)

Appellant next showed that the decision below was not supported by *International Industries & Development, Inc. v. Farbach Chemical Co.* (S.D. Ohio, 1956), 145 F. Supp. 34, particularly since the Court of Appeals in that case on review in *International Industries and Development Inc. v. Farbach Chemical Co.* (6 Cir. 1957), 241 F.2d 246, had held recovery proper where the issuance of the notice of infringement was done in implied malice in law if not in actual malice and in bad faith constituting unfair competition. (AOB. pp. 33-36). Appellee's response consists of a repetition of the findings of fact and conclusions of law in the District Court (BFA. pp. 26-27) together with its own unique revision of the opinion of the Court of Appeals (BFA. pp. 27-28).

With respect to the findings of fact and conclusions of law, appellant cannot see how they help appellee. If anything, *International Industries* is a weaker case for the putative infringer than is the case at bar. In that case, the letters merely "had the effect of indicating that defendant was an infringer of plaintiff's patents." (BFA. p. 26), whereas in the case at bar the publications came right out and said that Kemart, Kemart's customers, and Kemart's process all were in infringement of the appellee's patent. But more important than that, finding 7 recites that "plaintiff's failure to introduce evidence at the trial to support its charge of infringement conclusively establishes bad faith and malice \* \* \*" (BFA. p. 27). In the case at bar, this Court found it to be a fact that "there is no evidence to support the contention" that the methods of appellant and appellee were "recognized photographic equivalents" (201 F.2d 630). This covered one phase of the Kemart Process, to wit the wash drawing phase. And counsel for appellee frankly conceded that "there is not a thing in this record" about the Kemart Process as represented by the Berry Patent 2,395,985, which covers the highlight white phase of the Kemart Process (RA. 313-315). If the patentee's failure to introduce evidence at the trial to support a charge of infringement "conclusively" estab-

lishes bad faith and malice under the rule of *International Industries* then the same rule should also conclusively establish bad faith and malice within the record of the instant case.

So far as appellee's revision of the opinion in *International Industries* is concerned, appellant notes that the three dots appearing in the quotation, line four from the bottom (BFA. p. 27), eliminate the heart of the opinion to wit, that the issuance of the notice of infringement in that case was done "in implied malice in law, if not in actual malice." Argument should be unnecessary to support the conclusion that the words quoted and those omitted in appellee's brief make the sense of the Court's decision seem to be the exact contrary of what it actually was. Appellant submits that the opinion should be considered as written and not as re-written by counsel.

With respect to the remaining authorities, appellant pointed out that each is distinguishable in that not one of them purports to announce the law of Ohio (AOB. p. 36). Appellee does not respond to this argument.

Appellant, therefore, submits that the Conclusion of Law No. 5, (R. 30) is not supported by the legal authorities upon which the District Court relied (R. 22) and that appellee's counter-argument has not sustained the determination of the District Court in this regard. We now show that appellee has not found any controlling authority supporting the defense.

### **The Ohio Case Law Negates the Defense of Good Faith**

(AOB. pp. 37-40)

(BFA. pp. 17, 24-34)

In urging that the Ohio Case Law negates the defense of good faith, appellant has shown that the publication of false charges of patent infringement is actionable *per se* as a matter of law without proof of malice and without regard to the question of good faith. (AOB. pp. 37-40).

The historical starting point of the Ohio case law is *Watson v. Trask* (1834) 6 Ohio 531. Appellee breaks its discussion of *Watson v. Trask* into two segregated portions (BFA. pp. 17-18 and 29-34) sandwiching later authorities, both directed to the issue and not directed to the issue, in between. Since *Watson v. Trask* could not possibly have been decided in the light of authorities coming along later in time, we review the case as if it were written upon a fresh slate, as it indeed was. As appellant views *Watson v. Trask*, it is the vanguard of "the better reasoned cases" to which Circuit Judge Clark referred in *Black & Yates v. Mahogany Ass'n* (3 Cir. 1941), 129 F.2d 227, page 231 footnote 23.

In the first place, appellee states that *Watson v. Trask* is the "principal, and indeed only, case upon which Kemart directly relies." (BFA. p. 17). This is not accurate. We rely upon *Watson v. Trask* directly to support the proposition that it is a libel to charge a man with infringing a regularly granted patent, and that the law infers malice where the words are false (BFA. p. 37); we rely upon *Henry Gehring Co. v. McCue* (1926), 23 O. A. 281, 154 N.E. 171 and *McCue v. Wells* (1929), 121 O. S. 53, 166 N.E. 892 directly to show that the existence of malice and absence of good faith are not essential elements in appellant's case, and to show that it is no defense that letters which charged infringement were written in good faith and upon advice of competent counsel skilled in such matters (AOB. p. 39, 25-31). And, if the law of Ohio be held not applicable, we also rely directly upon *International Industries & Development v. Farbach Chemical Co., Inc.* (S.D. Ohio 1956), 145 F. Supp. 34, affirmed (6 Cir. 1957) 241 F.2d 246, and upon the authorities cited in Appellant's Opening Brief, pages 58-62 in support of the propositions (1) that if the patentee fails to establish his rights as claimed by him, he then is subject to an action for damages, because of such false, though honestly believed, statements, by the party mistakenly prosecuted for infringement, and (2) that a notice of infringement is action-

able if it is done with malice in law which is implied from the publication of a false charge of infringement.

Appellee's approach to *Watson v. Trask* is a two pronged attack of belittling the case because of its age and limiting it strictly to its facts because appellee does not like the holding of the headnote.

Appellee's main point is that *Watson v. Trask* was decided over one-hundred years ago, at a time well before the legal concept of unfair competition in business had matured (BFA. p. 17). Appellee disparages it as "this venerable case" (BFA. p. 17). Shepard's Citations makes it clear, venerable as the case may be, that all of the Courts of Ohio, from the highest to the lowest, treat it with true veneration and have cited it from the time of its pronouncement to the present day. Because of its age, it is clear that *Watson v. Trask* was decided as a case of first impression, and that the reasoning of the Court was unimpeded by the extremely legalistic and Shakesperian view applied in the case of *Wren & Another v. Weild* (1869) The Law Reports 4 Q.B. 730 later overruled by the British Parliament (See AOB. pp. 56-60). It was attuned to the liberal thinking of this country.

Appellant submits that the age of *Watson v. Trask* (1834), 6 Ohio 531, does not detract an iota from its worth. *Clay v. Security Trust Co.* (Court of Appeals of Kentucky, 1952,) ..... Ky. ...., 252 S.W. 2d 906, 908; *Ray v. Denver* (1942), 109 Colo. 74, 81, 121 P.2d 886, 889; *Central Trust Co. v. Falck* (1917), 177 App. Div. 501, 164 N.Y.S. 473, 477-478, affirmed sub. nom *Central Trust Co. of New York v. Rogers* (1918), 223 N.Y. 705; 120 N.E. 859; and *Rowe v. Richards et al* (1915), 35 S.D. 201, 205; 151 N.W. 1001.

On the facts, appellee's first criticism of appellant's discussion of *Watson v. Trask* is that "Kemart has neglected to recite the published libel and has neglected to set forth enough of the opinion to enable this Court to properly evaluate it." (BFA. p. 29). Appel-

lant, on the other hand, bases its discussion upon the headnote and those portions only of the opinion which touch upon the headnote. Appellee feels that headnotes are but traps for the unwary (Appellee's Brief, p. 33). This may be true as a general proposition in most states, but it is untrue of Ohio decisions. In Ohio, the headnote contains the law of the case. As stated in *State v. Edmondson* (1913), 89 O.S. 93, 105 N.E. 269, 273: "\* \* \* Where the judge writing an opinion discusses matters or gives expression to his views on questions not contained in the syllabus, it is merely the personal opinion of that judge."

Nonetheless, giving full effect to the distinctions which appellee alleges, *Watson v. Trask* still it not distinguishable even in fact from the instant case upon material matters.

One line of alleged distinction is that *Watson v. Trask* is a personal defamation case and thus, is not in point here (BFA. p. 29, 34).

If by this, appellee means that Watson was an individual and Kemart is a corporation, the distinction is without legal merit. *Watson v. Trask* has been cited with approval and applied in cases involving defamations against corporations in *Cincinnati Street Railway Co. v. Cincinnati Daily Tribune Co.* (1900), 10 O.D. 281, 282 and in *Union Central Life Ins. Co. v. Mutual Benefit Life Ins. Co. et al.* (1877), 5 Dec. Rep. 521, 532. Even without the citation of *Watson v. Trask* the same principles were applied in *Henry Gebring Co. v. McCue* (1926), 23 O.A. 281, 154 N.E. 171 where the plaintiff was a corporation. Moreover, the District Court below found that the legal principles constituting the law of libel and slander are the same whether corporations or individuals are involved (R. 21, 30).

If, on the other hand, appellee has reference to the fact that *Watson v. Trask* included imputations directed to the person of the plaintiff, in addition to his property interest, then there is no distinction in fact. Here there are also imputations that appell-

lant infringed the appellee's patent and that appellant "simulated" the appellee's process (See *second aspect*, this brief, p. 15).

Appellee further urges that under the law of Ohio libel is broken down into separate categories wherein different rules are applied to imputations involving prostitution, venereal disease, a man's reputation, his honesty or a woman's chastity than there are to property rights and business rights (BFA. pp. 18, 20). *Watson*, to the direct contrary, gives equal and alternative effect to "\* \* \* anything involving moral turpitude, which, if true, will subject him to infamous punishment, or that tends to exclude him from society, or to prejudice him in his office, profession, trade or business \* \* \*" (6 O. 533).

Appellee finds comfort in noting that its interpretation of *Watson v. Trask* is observed in *Corpus Juris Secundum* at 35 C.J.S. 68 (BFA. p. 33). If appellee correctly characterizes the *Corpus Juris Secundum* interpretation of *Watson v. Trask*, it fails to note that this construction is in the minority. The same interpretation as that which appellant places upon *Watson v. Trask* is found in *Robinson on Patents*, Vol. III, p. 41, Sec. 866, footnote 1 (1890); *32 Century Digest*, p. 1858, Libel and Slander, Sec. 1 (1902); *Cyclopedia of Law and Procedure*, Vol. 25, p. 263, Libel and Slander, footnote 79 and 80 (1907); *Page and Adams, Ohio Annotated General Code*, Vol. 5, p. 824 (1912); *Newell, Slander and Libel*, 3d Ed., p. 343, Sec. 319 (1914); *Newell Slander and Libel*, 4th Ed., Sec. 238, p. 276 (1924); *Ohio Jur.* Vol. 25, p. 181, Libel and Slander, Sec. 29, footnote 11 (1932); *Page's Ohio Digest*, Vol. 8, p. 25 Libel under § 21, "Words libelous per se" (1933); *Page's Ohio General Code*, Annotated, Vol. 8, p. 237, Sec. 11,341 (1938); *33 Am. Jur.* 81, Libel and Slander, Sec. 63, footnote 11 (1941); and *Page's Ohio Revised Code*, Annotated Titles 25, 27, Sec. 2739.01, p. 341 (1954).

Appellee endeavors to buttress its discussion of *Watson v. Trask* with authorities from other jurisdictions than Ohio and with textbook authority not discussing the Ohio cases. Since none of these

authorities even purports to announce the Law of Ohio, appellant does not discuss them at this posture of the case but does discuss them later in proper company at pp. 39-46 of this brief. At this point we do suggest that the cases cited in Appellant's Opening Brief, pp. 58-61 dovetail with the Ohio law with far greater logic than do those which appellee cites.

The only other Ohio cases discussed in the briefs of the parties hereof which directly involve false imputations of patent infringement are *Mason v. Stacey & Carroll* (1879), 7 Dec. Rep. 567, 3 Bull. 1100; *Joseph v. Christy* (1882), 8 Dec. Rep. 476, 8 Bull. 190; and *Dopp v. Doll* (1885), 9 Dec. Rep. 428, 13 Bull. 335 (AOB. p. 38; BFA. p. 33). Appellant urges that they do not intimate that good faith belief is a defense and appellee urges that they have nothing to do with good faith, or lack thereof. In a limited sense, appellee is correct. But in the greater, all inclusive sense, since the decisions do not even mention good faith belief, they warrant the inference that good faith belief is not a defense in Ohio.

"\* \* \* It may not be conclusive against the correctness of a legal proposition, that it was not presented, when from the facts involved it might have been. But when this has occurred in a number of cases, where it is to be supposed that both counsel and court are well informed as to the rules of law, it is a reasonable inference that the point was not made because it was deemed untenable." *Benedict v. Schaettle* (1861), 12 O.S. 515, 525.

Appellant also relies upon several libel cases not directly involving false imputations of patent infringement but involving the general principles here at issue. *Union Central Life Ins. Co. v. Mutual Benefit Life Ins. Co. et al.* (1877), 5 Dec. Rep. 521, 2 Bull. 269; *Kahn v. Cincinnati Times-Star* (1890), 10 Ohio Dec. 599, 8 N.P. 616, Affirmed (1895), 52 O.S. 662, 44 N.E. 1132; *Cincinnati St. Ry. Co. v. Cincinnati Daily Tribune Co.* (1900), 10 Ohio Dec. 281, 282; *Peer v. Hoiles* (1925), 3 Ohio L. Abs.

653, 654; *Mulcahy v. Deitrick* (1931), 39 Ohio App. 65, 176 N.E. 481, 482; and *Westropp v. E. W. Scripps Co.* (1947), 148 O.S. 365, 74 N.E. 2d 340 (AOB. pp. 38-40). Appellee's disposal of them in a single paragraph (BFA. p. 41) does not purport to respond to the rules of law for which they stand. These cases all stand for the proposition that in Ohio any false statement tending to injure the business, name, reputation, trade, credit, profession or calling of an individual or a corporation is libelous *per se* and that malice is presumed unless the article published is true in fact in its entirety. The proposition stands unrebutted.

Appellee urges that the "law of Ohio is well set out" in *Alliance Securities Co. v. DeVilbiss Mfg. Co.* (6th Cir. 1930), 41 F.2d 668 (BFA. p. 25) and it assumes that the law of Ohio is applied in *Oil Engineering Co. v. Brooks Engineering Co.* (6th Cir. 1931), 52 F.2d 783; and *Coats Loaders & Stackers Inc. v. Robert D. Hendersen et al.* (6th Cir. 1956), 233 F.2d 915 because the cases were litigated in the Ohio District Courts (BFA. p. 24). These cases furnish their own internal evidence that they did not even purport to announce the Ohio law but on the contrary each relied upon general federal court authorities from many jurisdictions. As such we submit that they have no probative value in determining the Ohio law. So far as they announce the general law, they are each distinguished in other and more appropriate sections of this brief.

With respect to *International Industries & Development, Inc. v. Farbach Chemical Company, Inc.* (6th Cir. 1957), 241 F.2d 246 (BFA. pp. 24 and 26-28), we note that the Court did not state the source for its holding. But we have examined the Brief and Appendix for Appellee in that case\* and note the following, pages 28-29:

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\*We have asked the Clerk of the Court of Appeals for the Sixth Circuit to forward the Briefs in *International Industries* to the Clerk of this Court so that they will be available for the inspection of the Court.

## "OHIO LAW

"In Watson v. Trask, 6 Ohio Reports (Hammond) 531, the Supreme Court of Ohio held, in referring to a notice published by a patent owner charging that plaintiff's device was an infringement, noted on page 533 that:

'The publication is declared to be of the plaintiff in his business of maker and vendor of Bark Mills. It imputes to him the infraction of another's patent. This, if true, would subject him, and those purchasing and using his mills, to prosecution. Nothing could have a more direct tendency to the entire destruction of his business. It denies the plaintiff's right to deal in the subject of his occupation \* \* \*'.

"The Court held the publication to be 'unequivocally libelous'."

In its discussion of the Ohio Case Law, appellee urges that Kmart has been unable to point out any case holding that under Ohio Law good faith is not a complete answer in a case where damages are asked because of a charge of patent infringement, after proved mistaken." (BFA. p. 45). Appellant, in reply, urges that this defense was presented to the Ohio Supreme Court and was overruled in *McCue v. Wells* (1929), 121 O.S. 53, 161 N.E. 2, (discussed AOB. pp. 24-31, 62). Appellee has not responded to the point that *McCue* directly overrules the good faith defense and approves only the truth defense.

On the issue of whether actual malice is an essential element of the tort, appellee maintains that "the Ohio law, as elsewhere, recognizes bad faith to be a *sine qua non* of the cause of action" (BFA. p. 45). This thought is refuted implicitly in *McCue v. Wells*, (1929), 121 Ohio State 53, 166 N.E. 892 (AOB. pp. 24-31); *American Well Works v. Layne* (1916) 241 U.S. 257; and other cases cited at pp. 58 to 62 of appellant's opening brief, and explicitly in *International Industries & Developments, Inc. v. Durbach Chemical Co., Inc.* (6 Cir. 1957), 241 F.2d 246, 248,

*Watson v. Trask* (1834) 6 Ohio 531, and *Reichman v. Drake* (1951), 89 O.A. 222, 100 N.E. 2d 533. In *Reichman*, the Court said 100 N.E. 2d 537:

"\* \* \* It will be seen that personal ill will, spite, or hatred is not an essential element in this cause of action. In this, as in most actions in tort, it might become important in the event it was sought to recover punitive damages. Its significance, however, is limited to its effect on the amount of the recovery."

We hasten to concede that *Reichman* does not involve the entire tort at bar, since the tort involved in *Reichman* was interference with contract only. But by its application of *Moran v. Dunphy*, 177 Mass. 485, an interference with contract case, as illustrative authority in *American Well Works v. Layne* (1916), 241 U.S. 257, at page 259, the Supreme Court confirmed that the rule applicable to interference with contract is also applicable to the instant form of tort.

Appellant therefore submits that appellee has not overcome the showing of Appellant's Opening Brief that the Ohio Case Law denies the defense of good faith where there is a publication of false charges of patent infringement.

#### **The Ohio Statutes Negate the Defense of Good Faith**

(AOB. pp. 41-43)

(BFA. pp. 42-45)

Appellant's Opening Brief urges that the Ohio Revised Code, Sec. 2901.37 prohibits the publication of "a false or malicious" libel (AOB. p. 41).

Appellee's main point is that Section 2901.37 is a criminal statute (BFA. p. 42). This is true, but it does not absolve appellee from civil liability because of its violation. The same view was overruled in *Stranahan Co. v. Coit* (1896), 55 Ohio State 398, 418, 45 N.E. 634, 640:

"\* \* \* Where a defendant is liable under the criminal statute he is liable to a person directly injured, civilly, unless

the language of the criminal statute indicates an opposite purpose, which is not the case here."

Appellee further urges that since this is a criminal statute, that the word "false" must be construed strictly to mean something more than untrue or mistaken (BFA. p. 42). None of the cases which appellee cites involves this particular statute. Where this particular statute is invoked, the Courts of Ohio indicate that "false" means the opposite of "true". In *State v. Cass* (1898), 8 A.D. 214, the Court in speaking of this same statute, said page 9:

"\* \* \* The burden of proving that the matter charged as libelous is true, and was published with good motives and for justifiable ends, is upon the defendant."

Appellant next urges that the defenses in the cases of libel and slander are set forth in the Statutes of Ohio and that the presently asserted defense is not contemplated within the Ohio Statutes (AOB. pp. 41-43).

Appellee does not answer this argument directly, but it does cite a large group of cases generally discussing the question of privilege and malice, without reference either to the statute or to the instant type of publication (BFA. p. 36-40).

Most of the authorities cited by appellee could not possibly speak upon appellant's legal proposition. Sections 2317.04 and 2317.05 setting forth the statutory rules of privilege were first adopted by the Act of April 11, 1911, when the Ohio Legislature added the limited privilege concept therein stated by the Laws of Ohio, Vol. 102, pp. 95-96. Thus the cases of *Liles v. Gaster* (1885), 42 O.S. 631, 636; *Blair v. Burroughs* (1890), 23 Bull 30; *Harris v. Reams* (1860), 2 Dec. Rep. 281, 282; *How v. Goodman* (1855), 12 Dec. Rep. 272 do not purport to decide the present issue. All of these cases were decided before the legislature codified and occupied the field of conditional privilege. More-

over, two of the cases decided before the enactment of the code, to wit *Wahle v. Cincinnati Gazette Co.* (1879), 6 Dec. Rep. 709 and *The Post Publishing Co. v. Moloney* (1893), 50 O.S. 71, 33 N.E. 921, both denied the existence of the claimed privilege and hence, any language upon which the appellee relies in these cases is a mere dictum.

That our distinction is sound is shown in *Bolles v. Toledo Trust Co.* (1944), 144 Ohio State 195; 58 N.E. 2d 381; 157 ALR 1164. Syllabus by the Court, No. 13, recites:

"Where the General Assembly has codified the law on a subject, such statutory provisions are to govern to the exclusion of the prior non-statutory law unless there is a clear legislative intention expressed or necessarily implied that the statutory provisions are merely cumulative."

The subsequent cases of *Ramseyer v. Sheehan* (1923), 1 O.L.A. 233, 234, and *De Anglo v. W. T. Grant Co.* (1952), 64 Abs. 366, 111 N.E. 2d 773 do not purport to touch on the subject. Both involve slander and not libel. *Watson v. Trask* (1834), 6 Ohio 531 states, p. 533:

"\* \* \* many charges, which, if merely spoken of another, would not sustain a suit for slander, will, if written or printed and published, sustain a suit for libel."

*Watson* is cited in support of the foregoing proposition in *Ohio Public Service Co. v. Myers* (1934) 54 Ohio App. 40, 45, 6 N.E. 2d 29, 31.

Moreover, *Ramseyer v. Sheehan* (1923), 1 Ohio Law Abstract, 233 (BFA. p. 39) involved one of the forms of privilege positively set forth in 2317.04 in so far as the statements were made in good faith to county commissioners, [either a municipal legislative body or a municipal board within the clear language of the statute].

The other subsequent case, *De Anglo v. W. T. Grant Co.* 1952), 64 Abs. 366, 111 N.E. 2d, 773 involves, in addition to another, the employer-employee relationship, another limiting factor which is lacking in the case at bar.

Appellee criticizes appellant's application of *Westlake v. Westlake* (1878), 34 O.S. 621, 634; *Post Publishing Co. v. Moloney* 1893), 50 O.S. 71, 33 N.E. 921, 926; and *Meyer v. Parr* (1941), 9 O.A. 344, 37 N.E. 2d. 637, 641 (AOB. pp. 42-43, BFA. pp. 4-45) because it is said that Ohio does follow the common law, citing 9 Ohio Jur. 2d, Common Law, Sec. 1, p. 555 (BFA. p. 44). Appellant submits that Ohio Jurisprudence does not fully state the view of the Ohio Courts toward the old common law. In *Franklin v. Baker* (1891), 48 O.S. 296, 305, 27 N.E. 550, 552 the Court said:

"It is evident that decisions based upon considerations not applicable to our own country are entitled to no weight as authority in its Courts; and that the decisions of courts in this country in which these decisions have been simply followed as precedents, are entitled to no greater weight. And, an examination will show that they have been disregarded by courts of distinction about as often as they have been followed."

Appellant submits therefore, that the Ohio statutes show that malice is not an essential element of appellant's claim and indicate that good faith, belief and advice of counsel are not available as defenses.

#### **he Ohio Constitution Precludes the Good Faith Defense**

AOB. pp. 43-44)

BFA. p. 43)

Appellant showed that the Constitution of Ohio precludes the good faith defense because it makes every citizen responsible for the abuse of the right to exercise freedom of speech and because it grants every person a remedy for an injury done in his land, person, goods or reputation. Appellee's only response is a refer-

ence to *Cleveland Leader Printing Co. v. Nethersole* (1911) 84 O.S. 118, 133, 95 N.E. 735, 739 (BFA. p. 43). Appellant submits that this case does not give appellee the refuge which it seeks. In the first place, that case involves libel *per quod* and not libel *per se*. In the second place, the Court, in discussing the Bill of Rights, states specifically in the very quotation given by appellee:

"\* \* \* The liberty thus given is to publish truth with good motives and for justifiable ends."

In the case at bar, it has been shown that the publications at issue were false, not true. *Nethersole*, therefore, is inapplicable.

### **The Defendant's Conduct Is Forbidden by the Convention**

(AOB. pp. 49-56)

(BFA. pp. 54-60)

Appellant argued in its Opening Brief that false allegations in the conduct of trade of a nature to discredit the establishment, the goods or the services of a competitor are particularly forbidden by the Paris Convention and that the Paris Convention became a part of our law, either upon its ratification or upon enactment of the Lanham Act of 1946.

Appellee's first point is that appellant's citation of the Paris Convention represents a change in position (BFA. p. 54). This is not so. Appellant relies on the Paris Convention as additional and controlling authority for the position which it has taken from the very beginning of the case, to-wit; that it is entitled to damages for "defendant's wrongful acts and doings" (R. 9) accruing from the publication of false charges of patent infringement (Complaint, paragraphs 13, 14 and 15, R. 7).

At page 54, appellee urges that the Paris Convention is over 75 years old (BFA. p. 54) thereby implying that if appellant's point were sound, it would not have taken 75 years for it to come to the fore. If this be an implied point lurking in appellee's argument, we note that Article 10 Bis, upon which appellant relies,

was added by the treaty amendment which was proclaimed on March 6, 1931 (47 Stats. 1789), and that, if the treaty were not self-executing, it was actually incorporated into our law on July 1, 1947, one year after the enactment of the Lanham Act of 1946 (60 Stats. 444, 427). Therefore, the enactment has not been in effect for 75 years, but on the contrary it has been in effect for a period of either 27 years or 12 years, depending upon the date when Article 10 Bis effectively became incorporated into the law of this country.

Appellee's first concrete point that Article 10 Bis is inapplicable to this case, is that this Court was either wrong or oblivious in *Celite Corporation v. Dicalite Co.* (9th Cir. 1938) 96 F.2d 242, failing to apply the Treaty (B.F.A. p. 55). As appellant understands the *Celite* decision, the Treaty could not possibly have changed the result in that case. Under the Treaty, a critical consideration is that the allegations must be "false". In *Celite*, on the other hand, there were no "false" statements, a fact which is undoubtedly fully known to counsel for appellee in the case at bar. Mr. Leonard S. Lyon, chief counsel on the Brief for Appellant in *Celite*, is also chief counsel for the patentee in the case at bar. The brief in *Celite* makes clear that the question of false imputations of patent infringement was not even before this Court for decision because everything that the patentee said about its patent was true. In its brief (File No. 8310), the patentee pointed out at pp. 201-02 that "there is only one form of letter shown by the record to have been sent by the plaintiff to the trade." Appellant set forth the contents of the letter *in haec verba* and stated,

"There is nothing in this letter to support the finding of the court below. The letter does not state or infer that each and every product made or sold by the defendant constitutes an infringement of Johns-Manville Patents or is the subject of court inquiry. The truth of every statement in the letter must be conceded. It is nothing more than a proper legal notice of a filing of suits against the Pacatome Company and Dicalite Company for infringement of plaintiff's patents."

Thus the principle distinction between *Celite* and the case at bar, is that in *Celite* the patentee told only the truth. It stands adjudicated that the patentee in the case at bar did not tell the truth.

That this distinction is one of merit appears from the careful selection of authorities which this Court cited in support of its holding. This Court cited *American Ball Co. v. Federal Cartridge Corp.* (8th Cir. 1934), 70 F.2d 579, 98 ALR 665 twice during the course of its opinion (See 96 F.2d at page 250). It will be recalled that *American Ball* took into consideration both *Alliance Securities* and *Oil Conservation* upon which the appellee in the case at bar so strongly relies (BFA. pp. 24, 25, 26). After analyzing *Alliance Securities* and *Oil Conservation*, *American Ball* observed that, page 582:

"\* \* \* It may well be that if the patentee should fail to establish his rights as claimed by him that he might be subject to an action for damages (because of such false, though honestly believed, statements) on the part of the one mistakenly prosecuted for infringement \* \* \*."

This is almost a recap of Article 10 Bis with specific emphasis upon the particular false statement at bar. Moreover, it is most significant that *American Ball* was not cited by any of the briefs in *Celite*, but that this Court itself selected *American Ball* as being one of the controlling authorities upon the issues analogous to the case at bar.

The next concrete point which appellee makes is that the effect of Article 10 Bis is in some undisclosed way adversely controlled by *Vanity Fair Mills, Inc. v. T. Eaton Co.* (2 Cir. 1956), 234 F.2d 633 (BFA. pp. 56). It seems to appellant that appellee has mis-read *Vanity Fair Mills*. In particular, following the purported quotation, paragraph 1 at BFA. p. 56, a footnote 10 appears after the words "unfair competition" at the end of the first full paragraph of the quotation. In footnote 10, the Court specifically cited

Article 10 Bis of the Convention upon which the appellant relies in the case at bar. Therefore, *Vanity Fair Mills*, instead of detracting from the present position of appellant, affirms appellant's position that Article 10 Bis is part of our domestic law. Appellant submits that appellee has overlooked the true holding of *Vanity Fair*. That case merely overruled the contention "that the Convention created private rights under American Law for acts of unfair competition occurring in foreign countries." (234 F.2d 640). The holding of *Vanity Fair* is not at all contrary to the position taken in the case at bar, for obviously the rights in question in *Vanity Fair* are not comprehended by Article 10 Bis.

Moreover, we cannot even assume that the Court impliedly held that Article 10 Bis was not a part of our domestic law. This, for the reason that *Vanity Fair* relies in part on the earlier case of *Aiglon Apparel v. Lana Lobell, Inc.* (3d Cir. 1954), 214 F.2d 9, where the court in a well reasoned dictum, observed that in Sec. 44 of the Lanham Act "Congress manifested an intent to fashion a remedy to coincide with rights growing from the respective international agreements" and that such rights as were provided by Sec. 44(h) of the Lanham Act were "coextensive with the corresponding substantive provisions of the international agreements". This is exactly the same contention which appellant makes in the case at bar, to-wit that Article 10 Bis is a part of our substantive law.

Appellee next turns to Article 10 Ter and urges that it indicates that Article 10 Bis is not applicable (BFA. pp. 56-57). Appellant does not understand this argument. To appellant, Article 10 Ter reflects an opposite conclusion.

Following this, appellee states that Article 10 Bis merely states a principle in its quotation that "the following principally are to be forbidden" (BFA. p. 57). In this quotation, appellee has not read carefully Article 10 Bis. Article 10 Bis actually states that "The following particularly are to be forbidden" (47 Stats. 907).

Appellee next urges that *Bacardi Corp. v. Domenech* (1940), 311 U.S. 150, 85 L. ed 98, cited by Kemart, does not support Kemart's proposition that the treaty was self-executing. In this, appellee's argument is directly contrary to *Master, Wardens, Etc. v. Cribben & Sexton Co.* (C.C.P.A. 1953), 202 F.2d 779, 783, wherein the Court cited *Bacardi Corp.* in support of the proposition that the Treaty of Paris was self-executing.

Moreover, even if the Treaty were not self-executing, it is most apparent that the Treaty did become a part of our law by virtue of Sec. 44 of the Lanham Act. This proposition is firmly established by *Stauffer v. Exley* (9th Cir. 1950) 184 F.2d 962, 964; *Master, Wardens, Etc. v. Cribben & Sexton Co.* (C.C.P.A. 1953), 202 F.2d 779, 783; *L'Aiglon Apparel v. Lana Lobell, Inc.* (3d Cir. 1954) 214 F.2d 649, 654; and *Vanity Fair Mills v. Eaton Co.* (2d Cir. 1956) 234 F.2d 633, 640. Indeed, we note that the *Stauffer* decision of this Court in 1950 is the vanguard of this controlling line of authorities.

Finally appellee urges that appellant's interpretation of the Treaty is contrary to U.S. Code, Title 35, Sec. 287 (BFA. p. 60). Appellant has read and reread the section in question and finds in it no authority, either explicitly or impliedly, granting a patentee permission or requiring him to publish false allegations that anyone is infringing his patent. Moreover, the statute does not require the patentee of a process patent to give any notice of infringement, either true or false. Section 287 refers only to the obligations of patentees and persons making or selling any patented article. It does not refer to the patentees and persons making or using any patented process. That this is not a mere verbal distinction is made clear from the many cases holding that the former statute, U.S. Code, Title 35, former Sec. 49, did not apply to process patents. This is the holding of *United States Mitis Co. v. Carnegie Steel Co.* (C.C. Pa. 1898), 89 Fed. 206, affirmed per curiam (3d Cir. 1898) 90 Fed. 829; *United States Mitis Co. v. Midvale Steel Co.* (C.C. Pa. 1904), 135 Fed. 103, 112; and

*Wagner v. Corn Products Refining Co.* (D.C. N.J. 1928), 28 F.2d 617, 619, as well as the dictum of *Wine Railway Appliance Co. v. Enterprise Railway Equipment Co.* (1936), 297 U.S. 387, 95, 80 L.ed. 736, 738.

Appellant therefore, submits that defendant has not overcome his proposition that the instant publications of false charges are actionable under the Treaty of Paris particularly in so far as it has been incorporated into our local law by virtue of the Lanham Act of 1946.

#### **The Weight of Sound Authority Negates the Defense**

(AOB. pp. 56-62)

(BFA. pp. 20-24)

In its opening brief, appellant conceded that the "good faith" rule which the District Court applied is one which some courts have announced from time to time to defeat the claim of the putative infringer for damages resulting from publication of false charges of patent infringement (AOB. p. 56). Appellant further showed that the rule had an untenable basis in *Wren & Another v. Zeild* (1869), L.R. 4 Q.B. 730 (AOB. pp. 56-57); that the British Parliament overruled the rule; and that many courts of distinction have disregarded the rule about as often as it has been followed.

At this point we note that in our earlier discussion of *E. Edelmann & Co. v. Triple-A Specialty Co.* (7th Cir. 1937), 88 F.2d 852 (AOB. p. 60), we neglected to show that the trial court granted "an accounting for such damages, if any, as had accrued because of the circulation of wrongful charges of infringement" (88 F.2d 853) and that Judge Lindley, then District Judge, in speaking for the Court, characterized the crux of the claim as the additional fact that appellant has wrongfully circulated, among the trade, false charges of infringement" (88 F.2d 854). We repeat that there were no findings of express malice. If malice

were an unexpressed element in *Edelmann*, therefore, it had to be that malice in law implied from the falsity of the charge.

At page 20, appellee claims the benefit of "public policy" in respect to its publication of false charges of patent infringement. This must be balanced against the right of the putative infringer "to enjoy a good reputation when he has done nothing which ought to injure it." *Post Pub. Co. v. Hallam* (6 Cir. 1893), 59 Fed. 530, 540. Although it is particularly true that "the public interest \* \* \* is dominant in the patent system" *Mercoid Corp. v. Mid-Continent Co.* (1944), 320 U.S. 661, 665, as a part of that same public interest the rule is clear that "the limits of the patent are narrowly and strictly confined by the precise terms of the grant" (320 U.S. 665). In the case at bar, appellee expanded the phrase "ultra violet light only" far beyond the precise terms of the grant when it published its false charges of infringement. Therefore, it should not be able to claim the exercise of public policy in its behalf.

Appellee does not distinguish the general authorities cited in Appellant's Opening Brief. On the contrary, appellee, with legalistic selective blindness, looks exclusively to the contrary line of authorities to support platitudes that "the courts of the United States are in accord that no tort is involved unless bad faith be shown" (BFA. p. 20); that the "*cases throughout the country* \* \* \* *all* subscribe to the rule that good faith is a complete defense to this type of action" (BFA. p. 22); that "the courts throughout the United States display unanimity in holding the law to be that charges of infringement absent bad faith provide no cause for damages" (BFA. p. 23); and that "the defense is good *throughout the land*" (BFA. p. 34) [All emphasis added]. Appellant submits that appellee's authorities do not establish that the rule as so stated is universal or unanimous, or for that matter that it even represents the weight of authority.

Many of appellee's authorities cited in support of its view may be disposed of as falling into distinct categories legally quite remote from the case at bar.

A first category includes *Virtue v. Creamery Package Co.* (1912), 227 U.S. 8, 57 L.Ed. 393 (BFA. p. 20) and *Eastern States Petroleum Co., Inc. v. Asiatic Petroleum Corporation et al.* (2 Cir. 1939), 103 F.2d 315 (BFA. p. 22). Both cases involved only the very specific case of a plaintiff seeking damages for alleged violations of the anti-trust laws and the holding of the courts was that the imputations of infringement were not anti-trust violations. Neither case even purports to announce the legal rules applicable to a tort claim for damages from false charges of patent infringement. It is clear from several factors that the distinction is one of merit.

The *first* factor is found in the language immediately following the quotation selected by appellee from *Virtue* (BFA. pp. 20-21). The completed quotation limits appellee's partial quotation, and is as follows, 227 U.S. 38:

"\* \* \* Patent rights, it is true, may be asserted in malicious prosecutions as other rights, or asserted rights, may be. But this is not an action for malicious prosecution. It is an action under the Sherman Antitrust Act for the violation of the provisions of that act, seeking treble damages. \* \* \*"

The *second* factor is that within two and a half years later, substantially the same bench recognized that false charges of patent infringement were actionable in tort in *American Well Works Co. v. Layne* (1916), 241 U.S. 257. Mr. Justice Holmes who delivered the opinion of the court in *American Well Works* sat on the bench which delivered the opinion in *Virtue* and Mr. Justice McKenna who delivered the opinion of the court in *Virtue* dissented in *American Well Works*. Accordingly, we assume that the court in *American Well Works* did not overlook *Virtue* in holding that the publication of false charges of patent infringement might be actionable as a tort under state law. Indeed, in *American Well Works*, *Hovey v. Rubber Tip Pencil Co.* (1874), 57 N.Y. 119, one of

the earliest American authorities on appellee's proposition,\* was particularly called to the attention of the court (60 L.Ed. 988) and the Court nonetheless preferred the more liberal rule of *Moran v. Dunphy*, 177 Mass. 485. Although the language of *Moran* is not quoted in *American Well Works*, its adoption by paraphrase is most significant. We recall that the Supreme Court held that the instant type of conduct "is equally actionable whether it produces the result by persuasion, by threats, or by falsehood" (241 U.S. 259) and that "the wrong is the same whatever the means by which it is accomplished" (241 U.S. 260). These views were taken directly from *Moran* where the Supreme Court of Massachusetts, speaking through its then Chief Justice Holmes, stated (177 Mass. 487):

"\* \* \* we see no sound distinction between persuading by malevolent advice or accomplishing the same result by falsehood or putting in fear. In all these cases the employer is controlled through motives created by the defendant for the unprivileged purpose. It appears to us not to matter which motive is relied upon. If accomplishing the end by one of them is a wrong to the plaintiff, accomplishing it by either of the others must be equally wrong."

The *third* factor is, as stated by Judge Learned Hand in his dissenting opinion in *Eastern States* (103 F.2d 322), that the issue of the claimed privilege was not even necessary to decide in such an anti-trust case (AOB. p. 61).

The *fourth* factor is that *Black & Yates v. Mahogany Ass'n*. (3rd Cir. 1941), 129 F.2d 227, held that trade disparagement would not support a claim for alleged violations of the antitrust laws, but that it would support a tort claim for damages and injunctive relief even in the absence of express malice.

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\**Hovey* is apparently the first American authority to have adopted the rule of *Wren v. Weild* (57 N.Y. 126), having adopted it in 1874 before it was overruled by the British Parliament in 1883 (AOB. p. 57).

A second category of cases includes *Bechik Products, Inc. v. Flexible Products, Inc.* (2 Cir. 1955), 225 F.2d 603 (B.F.A. 22); *J.W. Eldridge Co. v. Southern Handkerchief Mfg. Co.* (W.D.S.C. 1938), 23 F. Supp. 179 (B.F.A. p. 22); *Kelley v. Ypsilanti Dressstay Mfg. Co.* (E.D. Mich. 1890), 44 Fed. 19 (included in quotation, B.F.A. 22); and *Oil Conservation Engineering Co. v. Brooks Engineering Co.* (6 Cir. 1931), 52 F.2d 783 (B.F.A. 24). These cases do not involve a claim for damages accruing from the publication of false charges of patent infringement but decide only the requisites for a suit in equity for injunctive relief. The distinction between the two different classes of cases is well recognized in *American Ball Co. v. Federal Cartridge Corp.* (8th Cir. 1934), 70 F.2d 579, 582 (AO.B. p. 32, 36, 60); *Oil Conservation Engineering Co. v. Brooks Engineering Co.* (6 Cir. 1931), 52 F.2d 783 (AO.B. p. 31); and *Dopp v. Doll* (1885), 9 Ohio Dec. 428, 13 Week. L. Bull. 335 (AO.B. p. 38). But more than that, even on this remote phase, courts of distinction are beginning to grant injunctive relief in the absence of malice where the action is between business competitors. *Black & Yates v. Mahogany ss'n* (3 Cir. 1941), 129 F.2d 227 (AO.B. pp. 61-62).

A third category of cases includes *Celite Corporation v. Dictate Co.* (9 Cir. 1938), 96 F.2d 242, cert. den. 305 U.S. 633 (B.F.A. p. 21-22); *Zephyr American Corporation v. Bates Mfg. Co.* (D.N.J. 1945), 59 F. Supp. 573 (B.F.A. p. 22); and *Alliance Securities Co. v. DeVilbiss Mfg. Co.* (6 Cir. 1930), 41 F.2d 668 (B.F.A. p. 24). These do not involve a claim of damages accruing from false charges of patent infringement. In each of those cases the patentee stayed within the truth. *Celite* is thus discussed earlier in this brief, p. 35. Moreover, in *Celite*, even though the publications were not shown to be false in fact, the putative infringer recovered damages. *Zephyr American* expressly notes that "no averment has been made and no evidence found indicating that the statements contained in the notices were false in any respect"

(59 F. Supp. 576). *Zephyr American* also specifically applied the law of New Jersey and Illinois (59 F. Supp. 575-576), and not that of Ohio. With respect to *Alliance*, the absence of falsity is shown in AOB. p. 32. *Alliance*, therefore, merely applies the same rule as that of Ohio Revised Code, sec. 2739.02, that "Proof of the truth thereof shall be a complete defense" (AOB. p. 41); of *McCue v. Wells* (1929), 121 Ohio State 53, 166 N.E. 892, that the patentee "was entitled to go to the jury upon that issue", e.g., as to whether the publication was true or false (AOB. p. 29); and of *American Well Works v. Layne* (1916), 241 U.S. 257, 259, that "If it is a statement of fact, it may be justified, absolutely or with qualifications, by proof that the statement is true" (AOB. p. 60).

We now turn to the balance of appellee's general authorities and show that they do not and cannot justify the present decision here on appeal.

At page 21, appellee cites and quotes from *Virtue v. Creamery Package Mfg. Co.* (1913), 123 Minn. 17, 142 N.W. 930, 1136. The general language cited in the quotation (BFA. p. 21) is not sustainable as a broad all inclusive legal proposition. The case states the law of Minnesota. The type of malice comprehended in *Virtue* includes such slight malice as "some ill feeling". *Froslee v. Lund's State Bank* (1915), 131 Minn. 435, 155 N.W. 619, 620. Appellee certainly manifested "some ill feeling" toward appellant when it suggested that appellant "simulated" the Fluorographic Process (R. 265) and when it suggested that Kemart "were best straightway and without further ado \* \* \* forthwith forced into bankruptcy" (RC. 55).

Appellee, page 22, cites *Kaplan et al. v. Helenhart Novelty Corporation et al.* (2 Cir. 1950), 182 F.2d 311, and quotes at length from that case. The quotation makes perfectly clear that *Kaplan* did not fully consider the issues presented in the case at bar. The decision relies principally upon *Eastern States, Kelley* and *Virtue* (BFA. pp. 22-23) which have nothing to do with an

tion for damages for tort, all as is shown above, *supra* pp. 41-43. Moreover, the broad base of *Kelley* includes the unsound authority *Wren & Another v. Weild* (1869), L.R. 4 Q.B. 730 (44 Fed. 3), which was overruled by the British Parliament (AOB. p. 57), and was later determined to be an unsound case by the subsequent English cases (AOB. pp. 58-60).

We further note that *Kaplan* is not a strong case. The majority of the court in *International Industries & Development v. Farbach Chemical Co.* (1957), 241 F.2d 246 refused to accept it as an authority in an action for damages, notwithstanding the fact that it was cited as authority both in the dissenting opinion of Circuit Judge Stewart (241 Fed. 246, 248), and in the petition for rehearing (R. 63).

On pages 22 and 23, appellee discusses *Farquhar Co. Limited v. National Harrow Co.* (3 Cir. 1900), 102 F. 714. The quotation from *Farquhar* (BFA. p. 23) is a mere dictum because in *Farquhar* judgment was actually entered in favor of the putative infringer.

*United States Galvanizing & Plating Equipment Corporation v. Anson-Van Winkle-Munning Co.* (4 Cir. 1939), 104 F.2d 856 (AOB. p. 22) arose in West Virginia and does not discuss the law of libel and slander in any of its aspects. The case merely holds that upon the evidence in that case, a charge of unfair competition could not be sustained. The case does not purport to overrule any of the authorities upon which appellant relies.

*Coats Loaders & Stackers, Inc. v. Henderson* (6 Cir. 1956), 233 F.2d 915 is cited without discussion (BFA. p. 24, 26). *Coats* clearly does not at present apply where there is "implied malice in law" as where the words are false. That *Coats* has weak stature is made clear by the refusal of the same Court to follow *Coats* in its later decision of *International Industries & Developments, Inc. v. Farbach Chemical Co., Inc.* (6 Cir. 1957), 241 F. 2d 246, notwithstanding that *Coats* was directly before the Court, *Coats* having been cited both in the dissenting opinion of Circuit Judge

Stewart (241 F.2d 248) and in the petition for rehearing (R. 64).

Appellee endeavors to give its legal authorities added stature by placing them upon a backdrop of selected quotations from Nims on *Unfair Competition and Trade Marks*, Callman on *Unfair Competition and Trade-marks* and the Restatement of the Law of Torts (BFA. pp. 18-20). Appellant submits that on this particular issue the textbooks do not supply the objectivity usually found in texts. None of these texts even mentions *Watson v. Trask* (1834), 6 Ohio 531, whereas a number of other authorities have concluded that *Watson v. Trask* makes the instant charges libelous *per se* (this brief, page 26). Nims and Callman both cite *Wren v. Wield* as the earliest authority in support of their rule (e.g., Nims, p. 840, footnote 8, and Callman, p. 720, footnote 33) but neither notes that *Wren* was overruled by the British Parliament. Moreover, appellant submits that the stature of Mr. Justice Holmes, Judges Kimbrough Stone, Lindley, Learned Hand and William Clark, Lord Bowen (see 3 Encyclopedia Britannica 976), and Professor Jeremiah Smith, makes their views and reasoning preferable in evaluating the issue of whether the publications of "false" charges of patent infringement require the element of actual malice as distinguished from malice in law to make them actionable.

Appellant submits that the Ohio and general authorities upon which it relies (AOB. pp. 25-31, 37-40, 56-62) state the sounder rule. An analysis of both conflicting lines of authority shows clear error in appellee's statement "that the courts throughout the United States display unanimity in holding the law to be that charges of infringement absent bad faith provide no cause for damages" (BFA. p. 23). The rule of appellee places an unwarranted burden on the person who is in fact aggrieved. If the statement be false, the actual injury is not related in the slightest to presence or absence of malice but flows directly from the falsity of the charge. Therefore, the inclusion of actual malice as a necessary element of the tort is wholly artificial.

The District Court Erred in Basing Good Faith Upon the Opinion  
Experienced, Although Interested, Patent Counsel

AOB. pp. 62-65)

BFA. pp. 46-51)

The findings disclose that the only proffered evidence of good faith which the District Court accepted in the case at bar was the opinion of Mr. McCaleb who was interested counsel (Finding R. 27). Appellant showed that in Ohio, the opinion of interested counsel does not justify any kind of tort. Appellant further showed that even if the opinion of counsel were a defense, appellee has not made good its defense.

Appellee thinks that Kemart's argument is that, since Mr. McCaleb was interested, appellee acted in bad faith in relying upon his advice (BFA. 49). This misstates Kemart's position. Kemart's point is that one may not rely upon an opinion of interested counsel to support the good faith defense even if that defense were legally available. Appellee urges that this presents question of fact. The Ohio authority of *Union v. United Battery Service Co.* (1929), 35 O. App. 68, 171 N.E. 608, (cited AOB. p. 64) holds that it is reversible error to weigh an opinion of interested counsel in deciding the issue of good faith. Therefore, the error claimed here is not error in fact, but is error in law.

Appellant urged that all of the good faith and absence of malice findings No. 1-D, 6 and 8 (R. 27-29) were based upon finding 2 (R. 27) and that they must therefore fall with Finding 2 (AOB. p. 65). Appellee, on the other hand, refers to matters which were not comprehended in subsidiary findings in its effort to buttress the good faith findings.

Appellee, as support for the Findings of Fact, relies upon *Reserve Life Insurance Co. v. Simpson* (9th Cir. 1953), 206 F.2d 39. *Reserve Life* applies the salutary principle of Rule 52(a) that findings of fact shall not be set aside unless clearly erroneous. In *Reserve Life* the findings were not clearly erroneous because "all the findings were supported by substantial evidence" (206 F.2d

390). In the case at bar, on the other hand, it has been shown that the only evidence supporting the findings of fact of good faith i.e., advice of interested counsel, does not constitute a legal defense. As a consequence, there is here no substantial evidence to support the findings and, on the other hand, there is substantial and considerable evidence to the direct contrary. Rule 52(a) would, therefore, appear to lend no support to the present findings. *United States v. Du Pont de Nemours & Co.* (1957), 353 U.S. 586, 598 (footnote 28); *United States v. Gypsum Co.* (1948), 333 U.S. 364, 394-395; *Schneiderman v. United States* (1943), 320 U.S. 118, 129-130; *Kelley v. Everglades Drainage Dist.* (1943), 319 U.S. 415, 420-421; *Centennial Insurance Company v. Schnieder* (9th Cir. 1957), 247 F.2d 491, 494; *Smallfield v. Home Insurance Company of New York* (9th Cir. 1957), 244 F.2d 337, 341; *Sealy v. Mitchell* (5th Cir. 1957), 249 F.2d 327, 331; and *Merchants National Bank & Trust Co. v. United States* (7th Cir. 1957), 246 F.2d 410, 417. See also U.S. Code, Title 28, Section 2106.

Appellee's first point is that the only question at issue was whether or not the Marx patent should be interpreted to cover all processes wherein ultra-violet light illuminated the copy (BFA. p. 48) and that appellee throughout the litigation has contended so long as ultra-violet light only was used to illuminate the Kemart copy, that the Kemart process infringed (AOB. pp. 50-51). If this be true, then the argument proves that appellee acted with that "gross carelessness" which is a form of express malice in a case against a corporation (25 O. Jur. 258, *Libel and Slander*, Sec. 119). Appellant says that this constitutes a gross carelessness for two reasons.

The *first* reason is that the wash drawing phase of the Kemart process, which was before this Court on the first appeal (Berry Patent 2,395,986, RA, 778-780), and the highlight-white paint phase of the Kemart process, which was not before this Court

n the first appeal and which was abandoned as a putative infringement (Berry Patent 2,395,985, RA. 773-776), both use ultra-violet light to illuminate the copy (See Exhibits LL and MM, RA. 780-803). The only difference between these two branches of the Kemart Process is the difference in copy.

The *second* reason for urging that such conduct constitutes gross carelessness is that during the prosecution of the application which led up to the allowance of the patent in suit, Marx disclaimed such a scope to his patent which would literally have covered at least the wash drawing phase of the Kemart Process by his cancellation of application claim 25. Claim 25 recited, (RA. 699):

"In halftone photography for eliminating the screen pattern in selected sections of the halftone negative, the steps of illuminating the subject with only ultra-violet light and then photographing the subject which has been previously made selective by making the tone or shaded sections thereof absorbent of ultra-violet light."

Application claim 25 was presented by an amendment of December 19, 1938 (RA. 695); it was rejected on March 23, 1939 for the reason that it was not limited to "the use of 'ultra-violet only' in the step involving it" (RA. 704-705) and it was cancelled on August 31, 1939 (RA. 706). This was a clear holding by the Patent Office that "ultra-violet only" as used in the allowed claims comprehended something more specific than "illuminating the subject with only ultra-violet light." Appellee acceded to this holding by cancelling claim 25 rather than appealing it. Appellee as a legal consequence became estopped thereafter to make the contention that its process covered the step of illuminating the copy with ultra-violet light only. *Exhibit Supply Co. v. Ace Corp.* (1942), 315 U.S. 126, 136-137; *D. & H. Electric Company v. M. Stephens Mfg.* (9th Cir. 1956), 233 F.2d 879, 883-884; and *Tampax Inc. v. Personal Products Corp.* (2nd Cir. 1941), 123 F.2d 722, 723.

Having proceeded with its case in the light of this express estoppel, its assertion of a broader interpretation was certainly an act of legal unfairness. It was carelessness in construing its own claims. This Court, on the first appeal, did not find it necessary to reach the issue of file wrapper estoppel presumably because, as shown immediately below, it found an absence of equivalency.

Appellee next urges that this Court on the first appeal "made no factual determination of contrary to those of Judge Mathes, but rather concluded as a matter of law" that there was non-infringement (BFA. p. 49). We have shown above, this brief pp. 11-12, that this Court overturned Findings of Fact X, XII and XIII, each finding the fact of infringement, because there was no evidence to support them.

At page 50, appellee seeks to justify Mr. Marx's failure to investigate Kemart copy on the ground that the form of copy was immaterial since the issues were dependent only upon the form of light used to illuminate the copy. In urging that the form of copy is immaterial, appellee has overlooked its own prior argument in appeal No. 12,948. In its brief on that appeal, appellee urged at length that the production of the drawing or copy was an important element of the process—both in its argument on validity and in its argument on infringement. The making of the copy was the Marx step A (see Cause No. 12,948, BFA, pp. 18, 19-20, 25, 30, 43-52). Moreover, the first published charge of infringement hinged upon claim 12 (Exhibit RR, R. 287-288) which required that the copy be partially "reflective" of ultra-violet light (RA. 673), a feature wholly lacking in Kemart copy and one which appellee would have known to be lacking had it first examined Kemart copy. It appears quite impossible that appellee can now assert to this Court that the form of the copy is immaterial.

Appellee, page 51, in an attempted explanation of its failure to distinguish between the wash drawing phase of the Kemart Process and the highlight-white phase of the Kemart Process in its charges of infringement, proclaims that a distinction would

have meant nothing to the trade who knew the process offered by Kemart as the Kemart Process. Appellant concedes that this is true (See Exhibit LL and MM, RA. 783-803) but urges in reply that this compounds the unfairness rather than justifying it. If, as appellee contends and as appellant concedes, the public knew of the Kemart Process as a unity of several processes, appellee should have made doubly certain that its charges of infringement would not be directed to the entire Kemart Process but would be limited only to the wash drawing phase thereof. Its failure so to do is certainly indicative of unfairness, if not deliberate unfairness. It told the public that the entire Kemart process was charged to be an infringement whereas appellee privately had determined that only the wash drawing form of the Kemart Process was to be prosecuted as an infringement.

Moreover, this argument of appellee lacks substance on the instant record. The conduct of appellee makes clear that its charge of infringement was intended to cover both the wash drawing and the highlight white phases of the Kemart Process. On April 13, 1949, appellee, in its sworn answers to interrogatories, twice specified "Kemart Highlight White" (RA. 19, 20) as partial support for "its statement that the practice of the Kemart Process infringes Marx patent 2,191,939" (RA. 14). It also stated that "plaintiff contributorily infringes said patent when it furnishes \* \* \* Kemart Highlight White \* \* \*" (RA. 21). On April 16, 1949, Berry patent 2,395,985 (which covers only the highlight white phase of the Kemart Process) was by stipulation included within the issues of the litigation (Para. 3 and 8, RA. 25 and 26). It was not until during the trial of the cause that counsel for appellee, on October 26, 1950, finally conceded that "There is not a thing in this record, and properly so, about that Berry patent. I did not even mention it in my case" (RA. 315). And hence all reference to the highlight white phase and the highlight white Berry patent are absent from the findings of fact, conclusions of law and judgment on the first

trial (RA. 46-56). As a consequence, this Court found it unnecessary to discuss the "highlight white" Kmart Process on the first appeal (201 F.2d 628, footnote 7). But on this appeal, the fact that appellee broadly included the entire Kmart Process in its publications fortifies our conclusion that the false charges of infringement were not published in good faith.

Appellant, therefore, submits that these new matters which appellee has raised on the fact issue of good faith and absence of malice do not furnish independent justification for the findings of fact of the District Court. Appellant submits further that it has demonstrated that there is no support in this record for the findings of fact that appellee acted in good faith and in absence of malice. The only evidence to which either of the parties has pointed indicates only an opposite conclusion. Findings of fact are clearly erroneous not only where they are unsupported by any record evidence, but also when the only evidence touching upon the issue is directly contrary.

Parenthetically, the argument of appellee makes clear the confusion which results from the good faith and malice issue. Where such a defense is raised, there are no standards by which one can determine whether malice is or is not present. When one says malice, does that mean a modicum of malice or plethora of malice? What relationship can there be shown between the fact of malice and the fact of injury? Legal rights and duties should not be determinable on such a vague, undefinable and unrelated basis. Therein lies a true and practical strength in the decisions which do not equate actual malice as an element of the tort.

#### **The District Court Erred in Finding Justification in Appellant's Publications**

(AOB. pp. 65-70)

(BFA. pp. 52-53)

Appellant's Opening Brief urged that Findings 4, 5 and 7, as a matter of law, do not justify appellee's defamations and threats (AOB. pp. 65-69).

Appellee twice denies, without citation of authority, that it is required to show any justification for its acts (BFA. pp. 52 and 53). On the other hand, *American Well Works v. Layne* (1916) 241 U.S. 257, 259 directly held:

"\* \* \* it is enough to allege and prove the conduct and effect, leaving the defendant to justify if he can. If the conduct complained of is persuasion, it may be justified by the fact that the defendant is a competitor, or by good faith and reasonable grounds. If it is a statement of fact, it may be justified, absolutely or with qualifications, by proof that the statement is true. But all such justifications are defenses and raise issues that are no part of plaintiff's case. \* \* \*"

In the case at bar, the conduct complained of are the false statements of fact and not mere persuasion. Therefore, the justification is proof of the truth thereof. This proof being a matter of defense, is a part of appellee's case and it has failed completely to prove justification.

Appellee urges that Findings of Fact 4, 5, and 7 merely provide additional support for the ultimate findings of good faith (BFA. p. 52). An examination of the record and the law shows the contrary.

Appellee, page 52, spells out that Mr. Adams "first published" the letter charging infringement to Mr. Mertle. This brief, p. 5, shows that Mr. Mertle was the technical adviser for Kemart, and that as a consequence there was no publication.

Indeed, the disclosure of the letter by Mr. Adams to Mr. Mertle is the natural consequence of the acts of appellee and therefore if it is a publication, it is that of appellee. *Hedgepath v. Colman* (1922) 183 N.C. 309; 111 S.E. 517, 520; and *Miller v. Butler & Another* (1850) 60 Mass. 71. These two cases have been cited with approval in *Ohio Public Service v. Myers* (1934) 54 Ohio App. 40; 6 N.E. 2d 29, 32.

Appellee next urges, page 52, that the publication to Messrs. Mertle, Flader, Schmidt and Latimer was the result of questions

directed to Mr. Marx about the potential patent litigation. The trial court did not so find. Even if the finding be implied (which it is not), appellee cites no legal authority justifying its publication on such a basis. Such justification is not found in the common law for, as stated in *Skinner & Co. v. Shew & Co.* (1892), 1 Chan 413, at p. 422, there was nothing under the common law in the nature of privilege, in a letter charging infringement "which is in answer to a question" (See AOB. p. 59).

Appellee then states, pages 52-53, that appellant's publication of Plaintiff's Exhibit 60 and Defendant's Exhibit NN excused appellee's subsequent publications, and that in any event their legal effect would not be governed by the Ohio law, but rather by the general law. Appellee cites no authority. Appellant, on the other hand, shows that Kemart's publication is of no legal materiality, whether the matter be determined by Ohio law, or by general law, or by both (AOB. pp. 67-70). The issue is thus squarely presented to this Court on the law.

Appellee's final argument, page 53, that its subsequent publications, plaintiff's Exhibits 34 and 74, added nothing so far as the objected to charge of infringement is concerned has been answered earlier in this brief at page 7.

Appellee has cited no legal authority even tending to support the novel propositions of law underlying Findings of Fact 4, 5 and 7. Appellant, on the other hand, has presented both Ohio and other authority consistently overruling the defensive value of facts such as those presented in Findings 4, 5 and 7. Appellant, therefore, submits that Findings of Fact 4, 5 and 7 do not justify either appellee's defamation of appellant and appellant's process, or appellee's threats to appellant's customers.

**Appellant Should Have Been Awarded Reasonable Attorney's Fees**

AOB. pp. 70-75)

BFA. pp. 61-62)

Appellant urges that it is entitled to reasonable attorney's fees either under U.S. Code, Title 35, Section 285 (AOB. pp. 70-74) or under the Ohio law as expenses for clearing up the defamatory charges (AOB. p. 74).

In responding to appellant's first point, appellee, page 61, cites *Park-In Theatres, Inc. v. Perkins* (9th Cir. 1951), 190 F.2d 137, and Findings of Fact 14 and 15. In reply, appellant submits that the seven items cataloged at page 71 of Appellant's Opening Brief seem to be the type of "equitable consideration" recognized by the Court in *Park-In Theatres* which makes it grossly unjust that appellant should have been required to pay its own expenses of litigation.

Perhaps the most pertinent authority on the facts is *Russell Box Co. v. Grant Paper Box Co.* (2d Cir. 1952), 203 F.2d 177 (cited AOB. p. 72 and not distinguished by appellee). In *Russell Box*, as in the case at bar, the ultimate loser had been successful in the trial court and, as appellee claims in the case at bar, the reversal was purely on a question of law. As there stated by the Court, the crux of the award was "carelessness in ascertaining the facts, carelessness in construing claim 3 or a combination of the two" (203 F.2d 183). In the case at bar, there certainly was carelessness in ascertaining the facts as to the nature of the Kmart copy, there was carelessness in claiming that ultra-violet reflective light and ultra-violet fluorescent light were known equivalents when the record discloses that they were known as two entirely different methods of lighting; and there was carelessness in construing the meaning of the words "ultra-violet light only" in the claims, particularly since appellee had disclaimed Claim 25 in which the subject was illuminated with only ultra-violet light.

Appellant submits further that the use of any misleading

testimony in support of one's position, whether that testimony be deemed material or immaterial, is an exceptional circumstance. Having won in the court below, appellee is in no position now to dispute the effectiveness of the misleading testimony (See *Haze Atlas Co. v. Hartford Co.* (1944), 322 U.S. 238, 246, cited AOF p. 73, and not distinguished by appellee).

The second phase of appellant's argument that is entitled to attorney's fees under the Ohio law as part of its damages in clearing up the defamatory charges, is not answered. There is no reasonable answer to appellant's position.

Appellant submits, therefore, that the District Court committed reversible error in failing to assess reasonable attorney's fees against appellee and in favor of appellant.

### **CONCLUSION**

Appellant urges that the judgment of the District Court be reversed with instructions to assess appellant's damages resulting from appellee's wrongful acts and doings and with instructions to assess reasonable attorney's fees against appellee and in favor of appellant.

On the damage legal issue, appellant submits that under controlling law actual malice is not an essential element to a claim for damages resulting from publication of false charges of infringement and that good faith and reliance upon advice of counsel are not defenses, whether that controlling law be deemed the Treaty of Paris; the Ohio Constitution; the Ohio Statutes; the Ohio case law; or in the words of Judge Clark, "the better reasoned cases", from other jurisdictions.

On the damage factual issue as to whether appellee has proven good faith even if it were available as a defense, appellant submits that the findings of fact in favor of appellee on this issue are entirely without legally effective supporting evidence, and as such they are clearly erroneous under Rule 52.

On the attorney's fees issue, appellant submits that attorney's fees should be awarded either under U.S. Code, Title 35, Section 35 as an "exceptional" patent case or under the Ohio case law as a part of appellant's expenses in clearing up the false and defamatory charges of patent infringement.

Respectfully submitted,

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